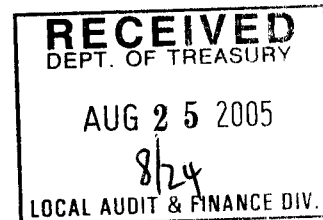


TOWNSHIP OF IOSCO
Livingston County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005



AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

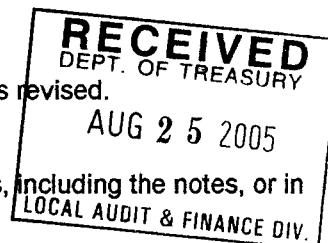
| | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------------------------------------|-----------------------------|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name Township of Iosco | County Livingston |
| Audit Date March 31, 2005 | Opinion Date June 15, 2005 | Date Accountant Report Submitted to State: August 11, 2005 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

| We have enclosed the following: | Enclosed | To Be Forwarded | Not Required |
|-------------------------------------------------------------------------------|----------|-----------------|--------------|
| The letter of comments and recommendations. | X | | |
| Reports on individual federal financial assistance programs (program audits). | | | X |
| Single Audit Reports (ASLGU). | | | X |

| | | | |
|----------------------------------------------------------------------------------|-------------------------|--------------------|---------------------|
| Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C. | | | |
| Street Address 512 N. Lincoln, Suite 100, P.O. Box 686 | City Bay City | State MI | Zip 48707 |
| Accountant Signature Campbell, Kusterer & Co., P.C. | | | |

TOWNSHIP OF IOSCO
Livingston County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

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BAY CITY, MICHIGAN 48707

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FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

June 15, 2005

To the Township Board
Township of Iosco
Livingston County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Iosco, Livingston County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Iosco's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Iosco, Livingston County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF IOSCO
Livingston County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Iosco covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$977,608.58 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$579,200.48 from governmental activities. Governmental activities had a \$20,598.09 increase in net assets with road improvements of \$182,059.04 (dust control program and gravel roads repair work) and a loss of \$11,231.00 in state revenue sharing.

Taxable value increased by approximately \$9,602,000.00 or 2.3%.

We did not incur any new debt. We have \$0 in debts. We are a cash payment operation only.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Cemetery Perpetual Care Fund and the Current Tax Collection Fund.

TOWNSHIP OF IOSCO
Livingston County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: Some of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

The Township conducted a gravel road dust control program using funds generated by a voter approved Road Millage. Additionally, the Road Millage provided funds to repair and upgrade Township gravel roads.

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$182,059.04.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 37% of our income. We continue to grow at a 8% rate in taxable values, \$117,000,000.00 year 2005 vs. \$108,000,000.00 year 2004, with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at 517-223-8928 or the Township Treasurer at 517-223-0130.

TOWNSHIP OF IOSCO
Livingston County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

| | <u>Governmental Activities</u> |
|-------------------------------------------------|------------------------------------|
| ASSETS: | |
| CURRENT ASSETS: | |
| Cash in bank | 56 618 55 |
| Investments | 854 034 66 |
| Petty cash | 75 00 |
| Taxes receivable | <u>25 141 22</u> |
| Total Current Assets | <u>935 869 43</u> |
| NON-CURRENT ASSETS: | |
| Capital Assets | 110 151 50 |
| Less: Accumulated Depreciation | <u>(68 412 35)</u> |
| Total Non-current Assets | <u>41 739 15</u> |
| TOTAL ASSETS | <u><u>977 608 58</u></u> |
| LIABILITIES AND NET ASSETS: | |
| LIABILITIES: | |
| CURRENT LIABILITIES | <u>-</u> |
| Total Current Liabilities | <u>-</u> |
| NON-CURRENT LIABILITIES | <u>-</u> |
| Total Non-current Liabilities | <u>-</u> |
| Total Liabilities | <u>-</u> |
| NET ASSETS: | |
| Invested in Capital Assets, Net of Related Debt | 41 739 15 |
| Unrestricted | <u>935 869 43</u> |
| Total Net Assets | <u>977 608 58</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>977 608 58</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF IOSCO
Livingston County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

| | <u>Expenses</u> | <u>Program Revenue</u> | <u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u> |
|-------------------------------|-------------------|---------------------------------|----------------------------------------------------------------------------------------------------|
| FUNCTIONS/PROGRAMS | | <u>Charges for Services</u> | |
| Governmental Activities: | | | |
| Legislative | 5 400 00 | - | (5 400 00) |
| General government | 161 752 59 | 13 502 00 | (148 250 59) |
| Public safety | 75 657 63 | - | (75 657 63) |
| Public works | 306 099 20 | 96 775 35 | (209 323 85) |
| Culture and recreation | 9 692 97 | - | (9 692 97) |
| Total Governmental Activities | <u>558 602 39</u> | <u>110 277 35</u> | <u>(448 325 04)</u> |
| General Revenues: | | | |
| Property taxes | | | 246 467 55 |
| State revenue sharing | | | 201 527 00 |
| Interest | | | 12 310 30 |
| Miscellaneous | | | <u>8 618 28</u> |
| Total General Revenues | | | <u>468 923 13</u> |
| Change in net assets | | | 20 598 09 |
| Net assets, beginning of year | | | <u>957 010 49</u> |
| Net Assets, End of Year | | | <u>977 608 58</u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF IOSCO
Livingston County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

| <u>Assets</u> | <u>General</u> | <u>Other Funds</u> | <u>Total</u> |
|------------------------------------|-------------------|------------------------|-------------------|
| Cash in bank | 51 581 88 | 917 73 | 52 499 61 |
| Investments | 854 034 66 | - | 854 034 66 |
| Petty cash | 75 00 | - | 75 00 |
| Taxes receivable | 25 141 22 | - | 25 141 22 |
| Due from other funds | 4 118 94 | - | 4 118 94 |
| Total Assets | <u>934 951 70</u> | <u>917 73</u> | <u>935 869 43</u> |
| <u>Liabilities and Fund Equity</u> | | | |
| Liabilities | - | - | - |
| Total liabilities | - | - | - |
| Fund equity: | | | |
| Fund balances: | | | |
| Unreserved: | | | |
| Undesignated | 934 951 70 | 917 73 | 935 869 43 |
| Total fund equity | 934 951 70 | 917 73 | 935 869 43 |
| Total Liabilities and Fund Equity | <u>934 951 70</u> | <u>917 73</u> | <u>935 869 43</u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF IOSCO
Livingston County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 935 869 43

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

| | |
|--------------------------|--------------------|
| Capital assets at cost | 110 151 50 |
| Accumulated depreciation | <u>(68 412 35)</u> |

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 977 608 58

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF IOSCO
Livingston County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

| | <u>General</u> | <u>Other Funds</u> | <u>Total</u> |
|------------------------------------------------------|--------------------------|------------------------|--------------------------|
| Revenues: | | | |
| Property taxes | 246 467 55 | - | 246 467 55 |
| Licenses and permits | 11 902 00 | - | 11 902 00 |
| State revenue sharing | 201 527 00 | - | 201 527 00 |
| Charges for services - other | 96 775 35 | - | 96 775 35 |
| Charges for services - cemetery | - | 1 600 00 | 1 600 00 |
| Interest | 12 303 86 | 6 44 | 12 310 30 |
| Miscellaneous | 8 618 28 | - | 8 618 28 |
| Total revenues | <u>577 594 04</u> | <u>1 606 44</u> | <u>579 200 48</u> |
| Expenditures: | | | |
| Legislative: | | | |
| Township Board | 5 400 00 | - | 5 400 00 |
| General government: | | | |
| Supervisor | 14 000 00 | - | 14 000 00 |
| Elections | 5 818 94 | - | 5 818 94 |
| Attorney | 5 777 95 | - | 5 777 95 |
| Assessor | 25 825 50 | - | 25 825 50 |
| Clerk | 19 020 00 | - | 19 020 00 |
| Board of Review | 690 00 | - | 690 00 |
| Treasurer | 17 945 00 | - | 17 945 00 |
| Building and grounds | 58 630 39 | - | 58 630 39 |
| Cemetery | 5 644 00 | 2 294 88 | 7 938 88 |
| Unallocated | 759 20 | - | 759 20 |
| Public safety: | | | |
| Fire protection | 55 654 56 | - | 55 654 56 |
| Zoning administration | 13 740 00 | - | 13 740 00 |
| Planning and zoning | 6 263 07 | - | 6 263 07 |
| Public works: | | | |
| Highways and streets | 182 059 04 | - | 182 059 04 |
| Drains | 10 764 96 | - | 10 764 96 |
| Sanitation | 113 275 20 | - | 113 275 20 |
| Culture and recreation: | | | |
| Recreation | <u>9 692 97</u> | <u>-</u> | <u>9 692 97</u> |
| Total expenditures | <u>550 960 78</u> | <u>2 294 88</u> | <u>553 255 66</u> |
| Excess (deficiency) of revenues over expenditures | 26 633 26 | (688 44) | 25 944 82 |
| Fund balances, April 1 | <u>908 318 44</u> | <u>1 606 17</u> | <u>909 924 61</u> |
| Fund Balances, March 31 | <u><u>934 951 70</u></u> | <u><u>917 73</u></u> | <u><u>935 869 43</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF IOSCO
Livingston County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 25 944 82

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense
Capital Outlay

(5 346 73)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

20 598 09

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF IOSCO
Livingston County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Iosco, Livingston County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Iosco. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

Fowlerville Fire Department

The Township of Iosco and the Village of Fowlerville and the Townships of Handy, Conway, Howell and Cohectah jointly formed the Fowlerville Fire Department to provide fire services to the entities. The Fowlerville Fire Department consists of a seven member board of which the Township of Iosco appoints one member. For the fiscal year ended March 31, 2005, the Township of Iosco provided \$54,454.56 to the Fowlerville Fire Department. The Fowlerville Fire Department is not considered a part of the reporting entity of the Township of Iosco. Separate financial statements of the joint venture may be obtained from the Fowlerville Fire Department, P.O. Box 677, Fowlerville, Michigan 48836.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

TOWNSHIP OF IOSCO
Livingston County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for assets that are legally restricted.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

TOWNSHIP OF IOSCO
Livingston County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 2.2799 mills, and the taxable value was \$108,108,079.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|---------------------------------------|-------------|
| Buildings, additions and improvements | 15-50 years |
| Furniture and equipment | 5-15 years |

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

TOWNSHIP OF IOSCO
Livingston County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Accounting Change (continued)

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$41,739.15.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF IOSCO
Livingston County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

| | <u>Carrying Amounts</u> |
|----------------|-----------------------------|
| Total Deposits | <u>57 261 65</u> |

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

| | <u>Bank Balances</u> |
|--------------------------------|--------------------------|
| Insured (FDIC) | 67 273 53 |
| Uninsured and Uncollateralized | - |
| Total Deposits | <u>67 273 53</u> |

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

| <u>Investment Type</u> | <u>(1)</u> | <u>(2)</u> | <u>(3)</u> | <u>Carrying Amount</u> |
|---------------------------------------------------------------|------------|------------|------------|----------------------------|
| Risk-Categorized: Operating Funds | - | - | - | - |
| Total Risk-Categorized Investments | <u>-</u> | <u>-</u> | <u>-</u> | - |
| Nonrisk-Categorized: Financial Institution Pooled Funds | | | | <u>854 034 66</u> |
| Total Investments | | | | <u>854 034 66</u> |

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

TOWNSHIP OF IOSCO
Livingston County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

| | Balance 4/1/04 | Additions | Deletions | Balance 3/31/05 |
|---------------------------------|-------------------|-------------------|-----------|--------------------|
| <u>Governmental Activities:</u> | | | | |
| Land and improvements | 32 236 00 | - | - | 32 236 00 |
| Buildings and improvements | 54 310 00 | - | - | 54 310 00 |
| Equipment | 23 605 50 | - | - | 23 605 50 |
| Total | 110 151 50 | - | - | 110 151 50 |
| Accumulated Depreciation | (63 065 62) | (5 346 73) | - | (68 412 35) |
| Net Capital Assets | <u>47 085 88</u> | <u>(5 346 73)</u> | <u>-</u> | <u>41 739 15</u> |

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Budget Variances

During the fiscal year ended March 31, 2005, the Township incurred the following budget variances:

| <u>Fund/Activity</u> | <u>Budgeted Amount</u> | <u>Actual Amount</u> | <u>Budget Variance</u> |
|----------------------|----------------------------|--------------------------|----------------------------|
| General Fund: | | | |
| Building and grounds | 56 100 00 | 58 630 39 | 2 530 39 |
| Sanitation | 110 000 00 | 113 275 20 | 3 275 20 |

Note 8 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Building Permits

The Township of Iosco does not issue building permits. Building permits are issued by the County of Livingston.

TOWNSHIP OF IOSCO
Livingston County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 10 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Fund</u> | <u>Interfund Payable</u> |
|-------------|---------------------------------|------------------------|------------------------------|
| General | <u>4 118 94</u> | Current Tax Collection | <u>4 118 94</u> |
| Total | <u><u>4 118 94</u></u> | Total | <u><u>4 118 94</u></u> |

TOWNSHIP OF IOSCO
Livingston County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended March 31, 2005

| | Original Budget | Final Budget | Actual | Variance with Final Budget Over (Under) |
|------------------------------------------------------|--------------------|-------------------|-------------------|--------------------------------------------------|
| Revenues: | | | | |
| Property taxes | 238 500 00 | 238 500 00 | 246 467 55 | 7 967 55 |
| Licenses and permits | 7 400 00 | 7 400 00 | 11 902 00 | 4 502 00 |
| State revenue sharing | 203 000 00 | 203 000 00 | 201 527 00 | (1 473 00) |
| Charges for services | 94 000 00 | 94 000 00 | 96 775 35 | 2 775 35 |
| Interest | 6 000 00 | 6 000 00 | 12 303 86 | 6 303 86 |
| Miscellaneous | - | - | 8 618 28 | 8 618 28 |
| Total revenues | <u>548 900 00</u> | <u>548 900 00</u> | <u>577 594 04</u> | <u>28 694 04</u> |
| Expenditures: | | | | |
| Legislative: | | | | |
| Township Board | 7 600 00 | 7 600 00 | 5 400 00 | (2 200 00) |
| General government: | | | | |
| Supervisor | 14 100 00 | 14 100 00 | 14 000 00 | (100 00) |
| Elections | 17 900 00 | 21 100 00 | 5 818 94 | (15 281 06) |
| Attorney | 2 500 00 | 7 000 00 | 5 777 95 | (1 222 05) |
| Assessor | 30 500 00 | 30 500 00 | 25 825 50 | (4 674 50) |
| Clerk | 20 600 00 | 20 600 00 | 19 020 00 | (1 580 00) |
| Board of Review | 750 00 | 750 00 | 690 00 | (60 00) |
| Treasurer | 18 700 00 | 19 700 00 | 17 945 00 | (1 755 00) |
| Building and grounds | 56 100 00 | 56 100 00 | 58 630 39 | 2 530 39 |
| Cemetery | 7 500 00 | 7 500 00 | 5 644 00 | (1 856 00) |
| Unallocated | 1 200 00 | 1 200 00 | 759 20 | (440 80) |
| Public safety: | | | | |
| Fire protection | 75 600 00 | 66 900 00 | 55 654 56 | (11 245 44) |
| Zoning administration | 15 300 00 | 15 300 00 | 13 740 00 | (1 560 00) |
| Planning and zoning | 24 900 00 | 24 900 00 | 6 263 07 | (18 636 93) |
| Public works: | | | | |
| Highways and streets | 204 166 00 | 204 166 00 | 182 059 04 | (22 106 96) |
| Drains | 25 000 00 | 25 000 00 | 10 764 96 | (14 235 04) |
| Sanitation | 110 000 00 | 110 000 00 | 113 275 20 | 3 275 20 |
| Culture and recreation: | | | | |
| Recreation | <u>20 600 00</u> | <u>20 600 00</u> | <u>9 692 97</u> | <u>(10 907 03)</u> |
| Total expenditures | <u>653 016 00</u> | <u>653 016 00</u> | <u>550 960 78</u> | <u>(102 055 22)</u> |
| Excess (deficiency) of revenues over expenditures | (104 116 00) | (104 116 00) | 26 633 26 | 130 749 26 |
| Fund balance, April 1 | <u>294 411 52</u> | <u>294 411 52</u> | <u>908 318 44</u> | <u>613 906 92</u> |
| Fund Balance, March 31 | <u>190 295 52</u> | <u>190 295 52</u> | <u>934 951 70</u> | <u>744 656 18</u> |

TOWNSHIP OF IOSCO
Livingston County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

| | |
|---------------------------|------------------|
| Township Board: | |
| Fees and per diem | <u>5 400 00</u> |
| Supervisor: | |
| Salary | <u>14 000 00</u> |
| Elections: | |
| Per diem | 3 766 75 |
| Supplies | 1 326 76 |
| Miscellaneous | <u>725 43</u> |
| | <u>5 818 94</u> |
| Attorney | <u>5 777 95</u> |
| Assessor: | |
| Salary | <u>25 825 50</u> |
| Clerk: | |
| Salary – clerk | 17 500 00 |
| Salary – deputy clerk | 1 500 00 |
| Miscellaneous | <u>20 00</u> |
| | <u>19 020 00</u> |
| Board of Review: | |
| Salaries | <u>690 00</u> |
| Treasurer: | |
| Salary – treasurer | 17 500 00 |
| Salary – deputy treasurer | 425 00 |
| Postage and miscellaneous | <u>20 00</u> |
| | <u>17 945 00</u> |
| Building and grounds: | |
| Supplies | 6 405 86 |
| Printing and publishing | 4 757 69 |
| Repairs and maintenance | 3 245 41 |
| Insurance and bonds | 29 887 00 |
| Utilities | 1 163 72 |
| Telephone | 1 032 41 |
| Miscellaneous | 6 213 48 |
| Social security | <u>5 924 82</u> |
| | <u>58 630 39</u> |
| Cemetery: | |
| Repairs and maintenance | <u>5 644 00</u> |
| Unallocated: | |
| Tax roll preparation | <u>759 20</u> |
| Fire protection: | |
| Per diem | 1 200 00 |
| Contracted services | <u>54 454 56</u> |
| | <u>55 654 56</u> |
| Zoning administration: | |
| Salary | <u>13 740 00</u> |

TOWNSHIP OF IOSCO
Livingston County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

| | |
|-------------------------|--------------------------|
| Planning and zoning: | |
| Per diem | 4 800 00 |
| Miscellaneous | <u>1 463 07</u> |
| | <u>6 263 07</u> |
| Highways and streets: | |
| Repairs and maintenance | <u>182 059 04</u> |
| Drains | <u>10 764 96</u> |
| Sanitation: | |
| Contracted services | <u>113 275 20</u> |
| Recreation | <u>9 692 97</u> |
| Total Expenditures | <u><u>550 960 78</u></u> |

TOWNSHIP OF IOSCO
Livingston County, Michigan

BALANCE SHEET – PERMANENT FUND
March 31, 2005

| | |
|--------------------------------------|----------------------------|
| | Cemetery Perpetual Care |
| <u>Assets</u> | |
| Cash in bank | 917 73 |
| Total Assets | 917 73 |
| <u>Liabilities and Fund Balances</u> | |
| Liabilities | - |
| Fund balances: | |
| Reserved | 917 73 |
| Total Liabilities and Fund Balances | 917 73 |

TOWNSHIP OF IOSCO
Livingston County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND
Year ended March 31, 2005

| | <u>Cemetery Perpetual Care</u> |
|---------------------------------------------------|------------------------------------|
| Revenues: | |
| Charges for services | 1 600 00 |
| Interest | <u>6 44</u> |
| Total revenues | <u>1 606 44</u> |
| Expenditures – Cemetery | <u>2 294 88</u> |
| Excess (deficiency) of revenues over expenditures | (688 44) |
| Fund balance, April 1 | <u>1 606 17</u> |
| Fund Balance, March 31 | <u><u>917 73</u></u> |

TOWNSHIP OF IOSCO
Livingston County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2005

| | <u>Balance</u> <u>4/1/04</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>3/31/05</u> |
|------------------------------|---------------------------------|---------------------|---------------------|----------------------------------|
| <u>Assets</u> | | | | |
| Cash in Bank and Investments | <u>3 876 78</u> | <u>1 970 263 42</u> | <u>1 969 378 16</u> | <u>4 762 04</u> |
| <u>Liabilities</u> | | | | |
| Due to other funds | 3 876 78 | 221 820 49 | 221 578 33 | 4 118 94 |
| Due to others | <u>-</u> | <u>1 748 442 93</u> | <u>1 747 799 83</u> | <u>643 10</u> |
| Total Liabilities | <u>3 876 78</u> | <u>1 970 263 42</u> | <u>1 969 378 16</u> | <u>4 762 04</u> |

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

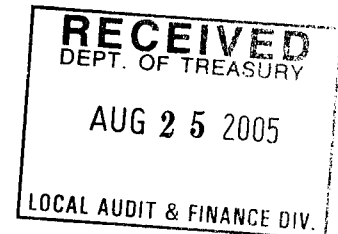
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 15, 2005

To the Township Board
Township of Iosco
Livingston County, Michigan



We have audited the financial statements of the Township of Iosco for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Iosco in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Iosco
Livingston County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Iosco began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Iosco
Livingston County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants